City of Dover
New Hampshire

Report of Assessed Values and Tax Process for Tax Year 2008

(April 1, 2008 - March 31, 2009)

Budget Period Fiscal Year 2009
(July 1, 2008 - June 30, 2009)

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City of Dover Assessment Update for 2008

From the early 2000's through 2006 the City of Dover experienced rapid growth in property values. This trend was accompanied by a corresponding increase in assessed values, consistent with the goal of maintaining equity in taxes for all properties in every year and the legal requirement to keep assessments proportional each year (RSA 75:8).

In 2007 the market leveled out for most property types. Toward the end of 2007 and into 2008 residential properties in the City began exhibiting some reductions in market value. Accordingly, an adjustment to assessments was performed in order to reflect these emerging market conditions for 2008.

Changes to the 2008 Assessment File:

Apartments: The sales for residential apartment buildings (single-family houses that have been converted into multi-family homes over the years) have indicated a continued softening in market value in 2008. Accordingly, assessments for these property-types were generally decreased for 2008. Garden apartments were stable, with no changes to the assessments for 2008.

Commercial Properties: The commercial market remained level during 2007-2008 around the City. Accordingly, the assessments for these property-types generally remained the same as they were in 2007 with few changes in assessments.

Industrial Properties: Throughout the State, large industrial buildings in particular, have continued to realize a softening in market values. Accordingly, assessments for larger industrial buildings were reduced or remained the same as 2007. Market values for smaller industrial properties in the City and around the State remained stable in 2008, and thus most assessments for these property types remained the same as in 2007.

Other Changes:

Building Permits: As is typical for each year, properties with outstanding building permits during 2008 were inspected, with value changes consistent with the nature of improvements or demolitions that occurred, including any general diminution in market values for residential properties.

Cycled Inspections: The Tax Assessment Division maintains a cycled inspection process where 20% of all properties are measured and inspected each year. For those properties that were 'cycled' for 2008 the only changes were those that had changes or corrections in the data as witnessed and documented by the data collector. Changes in assessments due to data corrections were also reflected in the general loss in value for residential properties in the City for 2008.

Cycled Appraisal Reviews: Each year the City Assessors (appraisers) field review 'neighborhoods' to ensure that like properties are treated alike, and consistent with one another. As with cycled inspections, the City attempts to perform appraisal reviews on all properties over a 5-year period so that a staff appraiser views each property in the City at least once every five years. Properties receiving these appraisal reviews during 2008 are subject to changes in their assessments. Again, however, beyond the cycled inspections and appraisal reviews, general losses in market value for residential properties were reflected in the assessments in the city for 2008.

Notices:

Properties experiencing a change in assessment received a notice of a change in value from the Assessor's Office. Notices were not mailed to properties where no change in assessed value occurred.

The following pages are a detailed report on the changes to the 2008 assessment roll.

Result of Assessment for Tax Year 2008 - (Fiscal Year 2009)

The Tax Assessment Division reports assessed values as of April 1, 2008. The goal of setting assessed values in any year is to bring equity to the tax base by setting assessed values as close to market price as possible while maintaining consistency across various classes of property.

Assessed Value Summary

The tables below, taken from reports submitted to the State, reflect the assessed values categorized by major type of property over the last five tax years, the percentage to total value and the percentage change by sector. The amounts within each category reflect changes to assessments as a result of adjustments due to analysis, but also changes reflective of subdivisions and new construction activities.

Category	2004	2005	2006	2007	2008
Residential	1,881,960,500	1,992,919,500	2,178,722,000	2,195,273,500	2,094,567,000
Commercial/Industrial	545,071,520	546,120,670	597,125,300	655,131,100	685,319,200
Public Utilities	33,003,800	33,169,300	34,773,700	35,579,100	35,303,500
Total	2,460,035,820	2,572,209,470	2,810,621,000	2,885,983,700	2,815,189,700
Percent of Total					
Residential	76.5%	77.5%	77.5%	76.1%	74.4%
Commercial/Industrial	22.2%	21.2%	21.2%	22.7%	24.3%
Public Utilities	1.3%	1.3%	1.2%	1.2%	1.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Dollar Change					
Residential	301,607,500	110,959,000	185,802,500	16,551,500	(100,706,500)
Commerial/Industrial	59,673,028	1,049,150	51,004,630	58,005,800	30,188,100
Utilities	1,753,700	165,500	1,604,400	805,400	(275,600)
	363,034,228	112,173,650	238,411,530	75,362,700	(70,794,000)
Percent Change					
Residential	19.1%	5.9%	9.3%	0.8%	-4.6%
Commercial/Industrial	12.3%	0.2%	9.3%	9.7%	4.6%
Public Utilities	5.6%	0.5%	4.8%	2.3%	-0.8%
Total	17.3%	4.6%	9.3%	2.7%	-2.5%

Category Change of Total Assessment Percent

Although changes in assessed value do not increase the amount of total tax revenue the City will receive, it can change from whom the City will collect taxes. In the broad categories addressed earlier, the following table shows the percentage change of each category's percent of total by tax year.

Category	2002	2003	2004	2005	2006	2007	2008
Residential	1.1%	3.2%	1.5%	1.3%	0.5%	-1.9%	-2.2%
Commercial/Industrial	-1.9%	-8.6%	-4.3%	-4.2%	0.6%	6.8%	7.2%
Utilities	-14.0%	-11.2%	-10.0%	-3.9%	4.1%	-0.4%	1.7%

Select Residential Assessment Information by Fiscal Year

Does Not reflect decreases to taxes from Tax Exemption and Credits

Description	2005	2006	2007	2008	2009
Total Assessed Value					
Single Family	$1,419,447,400	$1,476,435,000	$1,610,877,300	$1,638,148,500	$1,559,463,400
Two Family	161,956,200	159,437,500	155,520,500	153,801,700	148,535,800
Three Family	49,475,300	45,658,500	46,665,800	46,184,200	41,688,400
Manufactured Home	27,064,000	27,072,700	28,080,300	28,533,800	25,030,300
Condo	179,558,000	195,135,100	235,638,400	246,935,000	241,472,200
Total Select Residenital Assessments	1,837,500,900	1,903,738,800	2,076,782,300	2,113,603,200	2,016,190,100
Total Number of Parcels					
Single Family	5,450	5,518	5,562	5,650	5,703
Two Family	585	583	574	571	570
Three Family	150	149	147	147	145
Manufactured Home	371	371	373	375	373
Condo	1,043	1,102	1,344	1,396	1,458
Total	7,599	7,723	8,000	8,139	8,249
Average Assessed Value					
Single Family	260,449	267,567	289,622	289,938	273,446
Two Family	276,848	273,478	270,942	269,355	260,589
Three Family	329,835	306,433	317,454	314,178	287,506
Manufactured Home	72,949	72,972	75,282	76,090	67,105
Condo	172,155	177,074	175,326	176,888	165,619
Total	241,808	246,502	259,598	259,688	244,416
Average Assessed Value % Change					
Single Family	16.1%	2.7%	8.2%	0.1%	-5.7%
Two Family	24.8%	-1.2%	-0.9%	-0.6%	-3.3%
Three Family	27.5%	-7.1%	3.6%	-1.0%	-8.5%
Manufactured Home	27.0%	0.0%	3.2%	1.1%	-11.8%
Condo	18.5%	2.9%	-1.0%	0.9%	-6.4%
Total	17.5%	1.9%	5.3%	0.0%	-5.9%
Property Tax Rate per $1,000	$18.18	$19.42	$18.72	$19.63	21.1
% Change	-8.6%	6.8%	-3.6%	4.9%	7.5%
Average Property Tax					
Single Family	$4,735	$5,196	$5,422	$5,691	$5,770
Two Family	5,033	5,311	5,072	5,287	5,498
Three Family	5,996	5,951	5,943	6,167	6,066
Manufactured Home	1,326	1,417	1,409	1,494	1,416
Condo	3,130	3,439	3,282	3,472	3,495
Total	4,396	4,787	4,860	5,098	5,157
Average Property Tax Change					
Single Family	$275	$461	$226	$270	$78
Two Family	624	278	-239	215	211
Three Family	854	-45	-8	225	-101
Manufactured Home	185	91	-8	84	-78
Condo	242	309	-157	190	22
Total	306	391	73	238	60
Average Property Tax % Change					
Single Family	6.2%	9.7%	4.3%	5.0%	1.4%
Two Family	14.2%	5.5%	-4.5%	4.2%	4.0%
Three Family	16.6%	-0.8%	-0.1%	3.8%	-1.6%
Manufactured Home	16.2%	6.9%	-0.6%	6.0%	-5.2%
Condo	8.4%	9.9%	-4.6%	5.8%	0.6%
Total	7.5%	8.9%	1.5%	4.9%	1.2%

Percent Change by Property Class

The following table reflects the resulting aggregate changes in assessed value by property classes. The percentages also include new construction values and changes as a result of data corrections.

Percent Change by Property Class by Tax Year

Property Class	2002	2003	2004	2005	2006	2007	2008
Vacant Land	44%	25%	25%	-7%	18%	-11%	-5%
Single Family	16%	15%	17%	4%	10%	1%	-5%
Condominiums	29%	24%	27%	9%	21%	5%	-2%
Mobile Homes	19%	36%	21%	0%	4%	2%	-12%
Multi-Family Housing (2-3 units)	23%	16%	25%	-3%	-1%	-1%	-5%
Apartments* (more than 3 units)	15%	9%	14%	15%	5%	-5%	3%
Waterfront	21%	15%	24%	5%	2%	2%	-3%
Commercial/Industrial	14%	1%	12%	6%	12%	15%	5%
Utilities	0%	0%	6%	1%	7%	4%	-1%

* Included in Commercial/Industrial for reporting purposes.

Assessment to Market Ratio

The results of the ratios over the last few tax years are represented in the table below. The percentage is the assessed value divided by the market price. The years reflected in the table are tax years.

Property Class	2001	2002	2003	2004	2005	2006	2007	2008
All Properties	89%	92%	91%	95%	89%	95%	96%	95%
Vacant Land	85%	93%	92%	91%	76%	94%	82%	93%
Single Family	89%	91%	90%	93%	88%	94%	97%	95%
Condominiums	91%	94%	92%	96%	90%	95%	97%	95%
Mobile Homes	79%	91%	92%	94%	91%	94%	93%	90%
Multi-Family Housing (2-3 units)	84%	87%	87%	96%	86%	95%	90%	93%
Apartments (more than 3 units)	86%	92%	90%	93%	86%	98%	102%	91%
Waterfront Improved	NA	87%	93%	93%	92%	NA	81%	93%
Waterfront Land Only	NA	NA	87%	NA	93%	NA	NA	NA
Commercial/Industrial	94%	91%	89%	99%	89%	93%	86%	93%

The 2008 ratios are preliminary and will not be certified by the NH Department of Revenue Administration until May 2009. Classes reflecting ‘NA’ had insufficient sale information. The International Association of Assessing Officers (IAAO) considers the ratios of each class of property reasonable if they are within +/– 10% of the overall ratio. The City strives to be within +/– 5%.

Equity in Tax Base

The best measurement of equity throughout the tax base is the Coefficient of Dispersion (COD). The table below reflects the City's COD by year. According to the International Association of Assessing Officers (IAAO), the measure of equity falls into the following ranges:

Percent	Equity Measure
10% or less	Excellent assessment equity
11% - 14%	Good assessment equity
15% - 20%	Fair assessment equity
over 20%	Poor assessment equity

Another measure reviewed to assist in determining fair assessment is the Price-Related Differential (PRD). This statistic measures the relationship between higher valued properties and lower valued properties, and their respective assessments. This statistic answers the question: "Is there a bias for, or against, lower or higher valued properties?" For example, a PRD over 1.00 indicates a regressive assessment base, or, that higher value properties are assessed at a lower ratio, conversely, a PRD under 1.00 indicates a progressive tendency, or, shows that lower value properties are assessed at a lower ratio than higher value properties. Ideally, this statistic should be 1.00, but IAAO recommends that the PRD fall between .98 and 1.03.

Tax Year	COD	PRD
1997	9.11	NA
1998	8.46	NA
1999	10.18	NA
2000	11.63	NA
2001	9.50	1.001
2002	9.70	1.010
2003	8.40	1.000
2004	7.20	1.000
2005	7.30	1.000
2006	6.20	1.010
2007	7.20	1.010
*2008	7.00	1.010

The table reflects both the COD and PRD for the City of Dover. Since 2001, the City has continued to keep a COD in the excellent assessment equity level as reflected in the table. Also the PRD is within the acceptable range set by the IAAO.

*As previously mentioned, the statistics for 2008 are preliminary, subject to revisions by the NH Department of Revenue Administration in early 2009.

Taxable Parcel Information

The table reflects the parcel counts by category and their percent of total.

Taxable Parcels by Tax Year

Category	2002	2003	2004	2005	2006	2007	2008
Residential	7,909	8,023	8,117	8,325	8,701	8,817	8,931
Commercial/Industrial	962	969	968	843	832	850	859
Utilities	17	17	18	19	19	18	18
Totals	8,888	9,009	9,103	9,187	9,552	9,685	9,808
Percent of Total							
Residential	89.0%	89.1%	89.2%	90.6%	91.1%	91.0%	91.1%
Commercial/Industrial	10.8%	10.8%	10.6%	9.2%	8.7%	8.8%	8.8%
Utilities	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Count Change							
Residential	156	114	94	208	376	116	114
Commercial/Industrial	(3)	7	(1)	(125)	(11)	18	9
Utilities	-	-	1	1	-	(1)	-
Totals	153	121	94	84	365	133	123
Percent Change							
Residential	2.0%	1.4%	1.2%	2.6%	4.5%	1.3%	1.3%
Commercial/Industrial	-0.3%	0.7%	-0.1%	-12.9%	-1.3%	2.2%	1.1%
Utilities	0.0%	0.0%	5.9%	5.6%	0.0%	-5.3%	0.0%
Totals	1.8%	1.4%	1.0%	0.9%	4.0%	1.4%	1.3%

Budget and Tax Rate

Budget

The City administration must submit an annual budget to the City Council, the legislative body of the City. Two public hearings on the budget must be held (one each for City and School) and the City Council must pass the budget for adoption. The budget or fiscal year for Dover runs from July 1st through June 30th of the subsequent year. The budget must be approved by June 15th preceding the fiscal year.

The City Council is made up of a Mayor, 6 Ward Councilors and 2 At-Large Councilors. The county delegation, comprised of the State Representatives from the county, approves the budget necessary to fund county government.

The City Council is responsible for setting all budget amounts for both the City and School. For the School Department, however, the City Council can only set the total of appropriations (legal spending limit) and cannot make specific changes to the budget. The School Board, an elected body consisting of 6 ward representatives and 1 at large, is responsible for allocation of the appropriations into the various spending areas.

The budget consists of many different funds. The fund that raises property taxes is the General Fund and the only fund considered in this review. The General Fund accounts for basic governmental services supported mainly by property taxes, such as General Government Administration, Police, Fire & Rescue, Public Works, Recreation, Library, and Human Services. The budget is made up of two main parts, estimated revenues and appropriations. Estimated revenues are the budgetary estimates of revenue to be received from various sources. These include Motor Vehicle Permits, Recreation Fees, State payments for Rooms & Meals or Highway Block Grant and School Tuitions. Appropriations are legal authorizations granted by the City Council to incur expenditures and obligations for a specific period. Examples include salaries of employees, insurance costs, maintenance of buildings and vehicles or payment of debt.

A portion of the money to operate Schools is raised through the State Education Property Tax. The State Education Property Tax is billed, collected and spent locally for School purposes. The budget process for the State Education Property Tax takes place at the State Legislature. The legislature determines the total statewide cost of an adequate education. This cost is allocated among all School districts. The legislature must then fund the Education Trust Fund to pay those costs. At the present time, the State Education Property Tax is being used to fund a portion of that cost. The amount to be raised by the State Education Property Tax is the total of a municipality's equalized assessed value, less utility property located in the municipality, multiplied by the statutory rate of $2.14 per $1,000 of equalized assessed value. Utility property also bears its share of $2.14 per $1,000 of value under a separate Utility Property Tax that is billed and collected by the State and deposited in the education trust fund.

The State legislature recently changed the funding of the difference of the cost of an adequate education less the State Education Property Tax. This used to come to the City in the form of Adequate Education Grants. These have been eliminated and transitional grants implemented in their place. The transitional grants pay 90% of what the older grants used to pay for 2 years.

It is these appropriations and estimated revenues, voted by the City Council or elected representatives at county delegation meetings, which establish the basis for property taxes in Dover.

Tax Rate

In the General Fund, the amount of appropriations less non-property tax estimated revenue represents the amount of money to be raised by property taxation. Property taxes can be additionally decreased by the use of a portion of Fund Balance. The term "Use of Fund Balance" (also referred to as deficit spending) is used for budgetary purposes to reflect the amount that budgeted expenditures (appropriations) exceed estimated revenues. This budgeted net loss is financed by use of Fund Balance available from previous fiscal years. The City Council's policy is to retain Fund Balance at 6% of the annual General Fund budget. For accounting purposes Use of Fund Balance is not considered revenue.

The amount to be raised by property taxes is then divided by the local assessed property values to arrive at the property tax rates. The New Hampshire Department of Revenue Administration (DRA) sets these rates. Net Local Assessed Value is total value less any tax exemptions. The table reflects the FY09 City Council adopted appropriations and estimated revenues, as adjusted by the DRA and the final tax rate.

Description	Final Budget
City Appropriations	46,922,638
School Appropriations	49,016,345
County Tax	6,772,323
Total Appropriations	102,711,306
City Revenue	26,579,364
School Revenue	18,427,898
County Portion of BPT	50,052
Use of Fund Balance	-
Total Estimated Revenue	45,057,314
City Tax Levy	20,343,274
State Education Property Tax	6,292,003
School Local Tax Levy	24,296,444
County Tax Levy	6,722,271
Taxes to be raised	57,653,992
Net Assessed Value	2,763,581,550
City Tax Rate	7.57
School State Tax Rate*	2.31
School Local Tax Rate	8.79
County Tax Rate	2.43
Total Tax Rate	21.10
*Does not apply to utilities	

The State Education Property Tax Rate reflected on the tax bill may vary from the $2.14 used to calculate the State Education Property Tax amount. The reason is that the previous year's equalized assessed value is used to calculate the tax amount. This amount is then divided by the current year's local assessed value (excluding assessed value for utilities) used to bill individual property owners. The amount of taxes raised is the same.

An important fact to remember is that an increase in assessed value **does not** increase the total amount of property tax revenue the City receives. The amount of taxes to be raised is determined by the budget process, including final revisions by the DRA.

Adjustments made by DRA are mainly changes to State revenue estimates, such as rooms and meals allocation and state aid for education, which remain unknown until closer to rate setting.

The new tax rate of $21.10 is an increase of $1.47 from last year's rate of $19.63.

Fiscal Year	Local Rate	Incr (Decr)	Equalized Rate	Incr (Decr)
1997	28.70	0.50	26.40	(0.39)
1998	28.65	(0.05)	26.07	(0.33)
1999	29.22	0.57	23.65	(2.42)
2000	28.56	(0.66)	21.04	(2.61)
2001	28.48	(0.08)	20.25	(0.79)
2002	22.36	(6.12)	19.75	(0.50)
2003	20.86	(1.50)	18.90	(0.85)
2004	19.88	(0.98)	17.85	(1.05)
2005	18.18	(1.70)	16.93	(0.92)
2006	19.42	1.24	16.88	(0.05)
2007	18.72	(0.70)	17.47	0.59
2008	19.63	0.91	18.33	0.86
2009	21.10	1.47	NA	

An important fact to remember is that an increase in assessed value ***does not*** increase the total amount of property tax revenue the City receives. The amount of taxes to be raised is determined by the budget process, including final revisions by Department of Revenue Administration (DRA).

Statutory Requirements

Background

State statutes govern the assessment process.

- The NH Constitution requires a physical inspection of each property as part of the valuation process every 5 years.
- NH RSA 76:2 sets the property tax year as April 1st to March 31st and also stipulates that values be assessed on April 1st of that year.
- NH RSA 75:1 requires that assessments be at market value (with a few exceptions).
- NH RSA 75:8 requires that properties shall be annually assessed in accordance with assessing standards in order to attain proportionality (re: Background section and C.O.D. within the Assessing Terminology section).

The logic that the City should, "leave the assessments alone" as taxpayers will pay too much if the City keeps changing them is the exact opposite of what is needed to achieve ***tax equity***. As previously stated, the City does not raise any additional tax revenue as a result of assessment changes. The reason for changing assessments is a ***tax equity*** issue; i.e., that the tax burden is proportionally spread across all types of property. If assessed values are only changed intermittently, and one class of property market values grows faster than another, over time the class with faster growing market values will not be paying their fair share of property taxes. Conversely, a class of property whose market value grows slower than others will, over time, be paying more than their fair share. Municipalities must decide on how they will address keeping the assessed values as close to market value as possible to maintain equity of their taxes.

With changes in state statutes resulting from court cases, municipalities' assessments and process must meet the review requirements every 5 years. Municipalities may still contract out their reassessments, but they need to do this every five years, which can become very costly. The process would be to hire a commercial company to come into the City and, over a period of a few months, visit all properties and assign new values. These are very costly propositions (currently estimated between $850,000 and $950,000 and are subject to quality issues. The quality concerns relate to recreating each property card from scratch and the data errors that occur as a result. The firm's staff is under time constraints to produce. Separate listers on the job can make different judgments for the same class of property in different parts of the city. The whole process occurs within a short period of time. As a result, most cycled revaluations cause an increase to the number of abatement filings. Any property that receives an under assessment will, most likely, remain that way until the next full revaluation.

Another alternative is to keep the assessments values close to market value on an ongoing basis with City resources. These resources include proper staffing and the computer software to analyze the data to assign new values. The City has been using these resources since Fiscal Year 1994 to accomplish its assessments. Keeping the assessments close to market on an annual basis will soften the impact of any market shifts between class types of properties by realizing the changes from year to year versus a larger shift based on a longer period.

How Assessments Are Calculated

The setting of assessed values is based on a mass appraisal process using a Computer Assisted Mass Appraisal (CAMA) system. This means applying market and cost information covering a large area to properties based on their factors of location, construction, type, age, etc. on a mass basis (over 9,800 properties) to arrive at market values as of a certain date (April 1st of each year). The purpose is to arrive at values that are proportional to like type properties. The mass appraisal approach will produce values that may vary from individual appraisals done by appraisers used by banks, etc. due to differences in market analysis, date and purpose of appraisal, valuation date and quality control. However, assessments produced by CAMA models are taken directly from local market activity and thus reflect market conditions as property existed on April 1st, 2008.

Approaches to Value

There are three basic approaches used to assess properties. These are the cost, sales and income approaches. The goal of each is to achieve an estimate of market value. The first, and most commonly used for assessed value in residential property is the cost approach. This approach looks at the actual cost of construction materials for various types of buildings, less market depreciation, in order to assign values to properties.

The second approach is sales comparison approach. This approach analyzes sales that have occurred over the previous year. They are categorized by type of building, age, neighborhood type, etc. This information is then used to crosscheck like type of properties throughout the City. This approach is also the main method of pricing land values.

The third approach used is the income approach. Used mainly for commercial and industrial property, this approach analyzes the income of rental space to determine the value of specific types of properties.

The City uses a combination of cost and sales approaches to assess residential property and a combination of the cost, income and sales approach for commercial and industrial property.

Assessment Process
Utilizing stratified ratio analyses of sales, sectors of the community are prioritized for cycled inspections. Based upon these inspections and market analysis, determinations are made as to why the assessments require closer review. Typically, with residential properties, the following items will be analyzed:

- Land Values: Are they too high, low, or inconsistent?
- Building Values:
  - Data: Is the City's data correct on each property?
  - Replacement Costs: Are the schedules to reconstruct homes current or inconsistent?
  - Quality: Are the relative building qualities properly represented?
  - Utility: Typically for older homes and buildings, are the schedules properly reflecting outdated items such as lack of modern plumbing, electrical service, existence of asbestos or lead pipes, etc.?
  - Depreciation: Are the depreciation schedules properly reflecting the passage of time and deteriorating conditions for properties? Conversely, when modernizations occur, do the depreciation schedules properly reflect market activity for these events?
  - Locational Depreciation: As the City grows, are there diverse land uses affecting residential building values? (This is called economic obsolescence).

An analysis of depreciation is calculated on each valid sale within the City occurring within a year timeframe. The composite findings are placed on a graph and compared to existing depreciation schedules. Substantive deviations result in a re-calibration of the depreciation schedules.

Arm's-length sales provide the basis of all these studies. As the market changes, the City must constantly analyze the land, building and depreciation schedules to ensure that they produce valid indications of market activity for each property and class of property (commercial, industrial, residential, etc.).

Upon the completion of data collection and subsequent validation, current reconstruction cost and market depreciation analyses resulting from sales, various tables within the CAMA system are adjusted accordingly, e.g. cost, depreciation, etc. The CAMA system applies complex valuation modeling from these tables to each property's variables in order to derive a value. The variables consist of numerous factors to quantify each property's unique characteristics. Examples of variables are:

- Age
- Style (ranch, colonial, contemporary, etc.)
- Number of stories (1, 1.5, 2, split level, etc.)
- Heating (force air, hot water, etc.)
- Wall materials (wood, brick, stone, etc.)
- Living area square footage
- Number of baths
- Construction quality
- Physical condition
- Overall quality grade (A+, A, A-, B+, etc.)
- Porch area
- Garage information
- Neighborhood

- Traffic (light, moderate, heavy)
- Amenities (pool, etc.)
- Lot size
- Depreciation

The property variables are cross-referenced to the various CAMA tables to arrive at each variables contributory value component. These components are used in further computations to arrive at final estimates of value for each property. Values computed by the CAMA system are reviewed by the Assessor to determine the accuracy of the modeling by comparing the results to recent sales occurring within each area of the City. The Assessor studies the results for indications of bias of any kind through the use of stratified ratio studies, CODs, PRD, and other studies, to assure proportionality.

Assessment Process Timeline

During the year, the Data Collection Technician visits approximately 20% of the City's properties to assure the CAMA system's data integrity. During the period of December through June, the City Assessor and the Assistant City Assessor review abatement applications for approval or denial. They also work to approve or deny applications for exemptions or credit. As close to April 1st, City staff visit all new construction, or parcels that were only partially complete the previous year and take photographs to assist in determining percentage of completion later. During the period of about April through July, the City qualifies and makes a physical review of the properties that transferred hands during the previous year and analyzes them for input into the CAMA system. Preliminary assessed values are derived at the end of August or the beginning of September and assessment change notices are mailed when the valuation process is completed. After bills are mailed abatement applications are taken until March 1st of the following year.

Assessment Process Resources

Fundamental to successful, annual assessments are the following:

1. A computer program flexible enough to accommodate the in-house appraisal staff;
2. A continuous inspection program to ensure that the data is accurate and current;
3. An information campaign to keep taxpayers informed of the program;
4. A notification process which will inform taxpayers of impending changes in their assessment; and,
5. Informal hearing process to allow taxpayers a chance to discuss the proposed assessment.
6. Abatement filings.

Following is a discussion concerning each of these requirements:

1. <u>Computer System</u>: The City currently uses a CAMA (Computer-Assisted Mass Appraisal) system to assist in the assessment process. The system is "state of the art" mechanized valuation system that is flexible to the changes occurring in the market.

2. <u>Inspection Program</u>: The City currently contracts for a Data Collection Technician. The primary duty is to inspect properties on an ongoing basis to validate information on the CAMA database. By inspecting 20% of all properties each year on a rotating basis, the accuracy of the property characteristics within the CAMA database is maintained. The State Constitution and the new statutory requirements for assessment require that each community take an inventory of all properties every five years, which has been interpreted to mean an inspection of each.

3. <u>Public Relations Program</u>: DoverNet plays a role in conveying general and specific information to the taxpayers regarding annual assessments. Property transfer listings and the assessments of properties have been posted for public inspection. Beyond that medium, press releases and bulk mailings assist with minimal monetary requirements beyond existing resources.

4. Notification: The Tax Assessment Division currently informs taxpayers of impending assessment changes prior to tax billing via first class mail.

5. Informal Hearings: Informal hearings occur prior to the mailing of tax bills and allow the taxpayer to have their property reviewed if they feel the preliminary assessment is too high. This allows the taxpayer to address their concern in a more informal process than the abatement process.

6. Abatement Filing: The final step is the taxpayer filing an abatement application to have a formal review of their property by the Assessor. The purpose of this process is to assure that any given taxpayer is not being taxed unfairly when compared to like type properties.

Property Assessment Appeal Process

There is a two-level appeal process available to any property owner who believes the assessment of their property is in error. The first level of appeal is to request an abatement of property taxes, which must be made to the local assessing officials. The request for abatement must be made in writing by March 1st after the December tax bill due date. If the local assessing officials neglect or refuse to satisfactorily abate the tax, the second level of appeal is either to the Board of Tax and Land Appeals or to the Superior Court in the county where the property is located.

An opinion that property taxes are "too high" is not adequate grounds to justify abatement. The "amount of tax" cannot usually be appealed since the amount of money needed to fund local government operations is determined by the local legislative bodies through the budget process. Generally, there must be an error in the assessment of the value of the property in order to qualify for abatement.

Department of Revenue Administration's (DRA) Oversight

As a result of the court cases regarding School funding and assessment practices, the State Legislature passed various laws that will affect the City in the future. The most recent of the new requirements is that the City's assessments will have to be reviewed by the DRA. DRA will review all processes to derive value, as well as the final product, and report on same.

The review process will look at whether:

a. The level and uniformity of assessments are within acceptable ranges by considering the assessment to sales ratio study conducted by DRA.
b. Assessment practices comply with applicable statutes and rules.
c. Exemption, credit and abatement procedures comply with applicable statutes and rules.
d. Assessments are based on reasonably accurate data.
e. Assessments of various types of properties are reasonably proportional to other types of properties.

If the DRA finds deficiencies, the DRA shall recommend corrective actions to be taken, including a completion deadline. Failure to meet such a deadline can result in the DRA petitioning the Board of Tax and Land Appeals to order correction actions. The DRA reviewed Dover's assessment review for tax year 2004 and no major findings were issued. The next review by the DRA is scheduled for 2009.

The Equalization Process

Local assessments vary from municipality to municipality. Therefore, some municipalities may be assessing property close to full value (because they recently adjusted values), while other municipalities are assessing property at more or less than full value (because their adjustments to values are conducted less frequently). This inconsistency makes it difficult to compare municipalities to one another since the local assessed valuations are based upon different assessment years. To give perspective of the local assessed values between municipalities, the NH Department of Revenue Administration (DRA) calculates each municipality's equalized assessed value or an estimate of full market value. The table reflects Dover's equalized assessed value compared to the local assessed value since Tax Year 1997. Tax Year 2008's (Fiscal Year 2009) equalized amount is not represented, as this will be calculated by DRA next May.

Tax Year	Local Assessed Value	Equalized Equalized Assessed Value	% Local/ Equalized
1997	952,599,500	1,028,621,807	92.6%
1998	987,376,100	1,161,777,709	85.0%
1999	1,016,384,100	1,324,236,772	76.8%
2000	1,125,988,700	1,529,921,457	73.6%
2001	1,602,637,860	1,789,901,391	89.5%
2002	1,862,594,242	2,033,558,594	91.6%
2003	2,097,001,592	2,303,407,162	91.0%
2004	2,460,035,820	2,599,843,962	94.6%
2005	2,572,209,470	2,909,166,586	88.4%
2006	2,810,621,000	2,954,382,748	95.1%
2007	2,885,983,700	3,028,004,490	95.3%
2008	2,815,189,700	NA	NA

The sole purpose for equalizing local assessed property values is to ensure that public taxes and state revenues shared by towns and cities will be fairly apportioned between them. This includes state education, county and cooperative school district taxes, revenue sharing funds and adequate education grants.

The equalization process involves a detailed study of property sales throughout the state and compares these sales with the local property assessments. A by-product of the equalization process is the determination of a ratio. Generally, the ratio shows the average level at which the municipalities assessed property in the previous year in comparison to full value.

For example, a ratio of 90% would indicate that the town generally assessed property at approximately 90% of full value. The ratio does not necessarily apply to any specific property assessment, but rather indicates the average level of assessment throughout the municipality.

Over a period of several years, as the value of property increases or decreases due to market fluctuations, the ratio (the comparison of the local assessed value to full value) also fluctuates. A ratio of 100% indicates that, on the average, the municipality is assessing at full value. A ratio below 100% indicates average assessments below full value, and a ratio above 100% indicates average assessments above full value.

Neither a high nor a low ratio, in itself, should be cause for alarm. Whether a town or city is assessing at 125% or 75% of full value is really not significant. What is more important is that the assessments are proportional, so that each property owner bears their share of the property tax burden based upon the value of their property.

Exemptions and Tax Credits

A tax exemption is a reduction in the local assessed value of property, thus resulting in a lower tax burden for the taxpayer. A tax credit is a reduction from the actual tax after it is calculated. Both exemptions and credits require the filing of applications with the Tax Assessing Office and must meet certain criteria. The theory behind these programs is to provide tax relief to certain sectors of taxpayers, such as the low and moderate income elderly, disabled, blind and deaf taxpayers and to taxpayers and their spouses who have served in the armed forces during times of armed conflict.

Current Exemption Levels and Rate Impact

Level	#	Current Levels	Total
Age 65-74	97.0	$ 107,000	$ 10,379,000
Age 75-79	76.5	149,000	11,398,500
Age 80+	121.75	191,000	23,254,250
Blind	18.0	107,000	1,926,000
Disabled	37.0	107,000	3,959,000
Deaf	3.0	107,000	321,000
100% Disabled Veteran	1.0	370,400	370,400
Total	354.3		$ 51,608,150
Imputed Tax Levy Effect			$ 1,088,932
Estimated Tax Rate Impact			$ 0.39

Current Tax Credit Levels and Rate Impact

Level	#	Current Levels	Total
Veterans	1,238	$ 400	$ 490,027
Veterans - Disabled	43	2,000	86,000
Total	1,281		$ 576,027
Estimated Tax Rate Impact			$ 0.21
Total Tax Levy Impact			**$ 1,664,959**
Total Tax Rate Impact			**$ 0.60**

Tax Rate Impact

Tax exemptions impact the tax rate by decreasing the total assessed value. As the value is decreased, the rate increases. Tax credits impact the tax rate in a manner similar to additional spending.

It is estimated that the value exempted from assessed value is equivalent to $1,088,932 in tax dollars with an impact of $.39 on the tax rate. It is estimated that the tax credits of $576,027 has an impact of $.21 on the tax rate. The combined impact is $1,664,959 resulting in $.60 on the tax rate. In other words, if neither of the tax relief programs existed the tax rate would be $.60 lower.

T***axpayer Impact***

The effect of granting exemptions and credits is that the taxpayer receiving the exemption or credit has a reduction in taxes; however, the taxes are spread to other taxpayers. The following table reflects the tax impact to taxpayers at varying levels of assessment for the FY09 exemption and credit levels.

Total Taxpayer Impact from Exemptions and Credits

Assessed Value	Impact from Exemptions	Impact from Credits	Total Impact
$100,000	$39	$21	$60
200,000	$78	$42	120
300,000	$117	$63	180
400,000	$156	$84	240
500,000	$195	$105	300
1,000,000	$390	$210	600

Exemptions to Assessed Value
The City offers exemptions for elderly, blind, deaf and totally and permanently disabled persons as follows:

Description	Prior Year	Current Year	$ Change	% Change
Age 65 - 74	107,000	107,000	-	0.0%
Age 75 - 79	149,000	149,000	-	0.0%
Age 80 & over	191,000	191,000	-	0.0%
Blind	107,000	107,000	-	0.0%
Disabled	107,000	107,000	-	0.0%
Deaf	107,000	107,000	-	0.0%
100% Disabled Veteran	Total Value	Total Value	-	0.0%

Exemption for the Elderly
RSA 72:39-b To qualify for an exemption for the elderly, a person must be 65 years of age or older and meet income and asset limitations. The amount of a qualified elderly exemption is based on the applicant's age. Applicants for elderly exemptions must also have been a resident of New Hampshire for at least three consecutive years preceding April 1st of the year in which the exemption is claimed. Only one elderly exemption is allowed on the primary residence.

Exemption for the Blind
RSA 72:37 To qualify for an exemption for the blind, the person must be legally blind as determined by the administrator of Blind Services Program, Bureau of Vocational Rehabilitation of the Department of Education. There are no income or asset restrictions for a blind exemption. Applicants for blind exemptions must be a resident of New Hampshire as of April 1st of the year in which the exemption is claimed. Blind exemptions can be received in conjunction with an elderly exemption.

Exemption for the Disabled
RSA 72:37-b To qualify for an exemption for the disabled, a person must be eligible under Title II or Title XVI of the Federal Social Security Act for benefits to the disabled and meet income and asset limitations. Applicants for disabled exemptions must have been a resident of New Hampshire for at least five years preceding April 1st of the year in which the exemption is claimed. Disabled exemptions are received until age 65, at which time the property owner may apply for an elderly exemption.

Exemption for the Deaf
RSA 72:38-b To qualify for an exemption for the deaf, a person must have a 71 Db hearing loss or greater in the better ear as determined by a licensed audiologist or qualified otolaryngologist and meet income and asset limitations. Applicants for deaf exemptions must also have been a resident of New Hampshire for at least five consecutive years preceding April 1st of the year in

which the exemption is claimed. Applicants must meet income and asset limitations. Deaf exemptions can be received in conjunction with an elderly exemption.

Exemption for Certain Disabled Veterans – 100% Exemption

RSA 72:36-a To qualify for a total tax exemption for certain disabled veterans a person must be honorably separated from the military service of the US and have been totally and permanently disabled and is a double amputee, paraplegic, or has blindness in both eyes with visual acuity of 5/200 or less and who owns a specially adapted homestead acquired with VA assistance. The surviving spouse of such a person is also eligible to receive this credit. The credit applies to the person's primary residence.

Income and Asset Qualifying Criteria

In order for elderly, disabled and deaf applicants to be eligible for an exemption level, they must meet certain income and asset criteria. Income and assets from the previous calendar year is used determine eligibility. Exemptions for the blind have no income or asset qualifying criteria. Income is defined as the total annual income from all sources including Social Security, but does exclude the following: life insurance proceeds, expenses and cost incurred conducting a business and proceeds from the sale of assets. Insurance and asset sale proceeds are considered assets the following year. The asset criteria include all forms of tangible and intangible assets; however, the actual residence (including land up to 2 acres) is not included toward the maximum amount. The income levels are annually referencing CPI-U Boston Area annual average and other indices. No changes were made to the exemption amounts for FY09.

Income and Asset Qualifying Criteria

Maximum Income	Prior Year	Current Year	Change
Single	35,000	35,000	-
Married	48,000	48,000	-

Maximum Assets	Current Year	Current Year	Next Year
All applicants	155,000	155,000	-

Tax Credits

The City provides the following levels of tax credits:

Description	Prior Year	Current Year	Change
Veteran	350	400	50
Veteran with 100% Disability or Surviving Spouse of such Veteran	2,000	2,000	-

Tax Credit for Veterans

RSA 72:28 To qualify for a tax credit for a veteran a person must have provided the necessary documents to prove they served not less than 90 days in the armed forces of the US or its allies in any qualifying war or armed conflict and was honorably discharged or an officer honorably separated or the spouse or surviving spouse of such a resident. Also eligible are residents who were terminated because of service-connected disability, or the spouse of such a resident, or the surviving spouse of any resident who suffered a service connected death.

Tax Credit for Surviving Spouse
RSA 72:29-a To qualify for a tax credit for a surviving spouse a person's spouse must have died while on active duty in the armed forces of the US or its allies in conflicts delineated for veteran's credits. The credit can apply to residential or non-residential property in the municipality where the surviving spouse lives.

Tax Credit for Service-Connected Total Disability
RSA 72:35 To qualify for a tax credit for service connected disability a person must be honorably separated from the military service of the US and who has been totally and permanently disabled or a double amputee or a paraplegic because of a service connected injury. The surviving spouse of such a person is also eligible to receive this credit. The credit applies to the person's residential property.

Exemption and Credit Application Filing Periods
All applications for exemptions or credits must be made to the local assessing officials by April 15th, prior to the setting of the tax rates in October.

Tax Deferral for Elderly and Disabled.
RSA 72:38-a To qualify for the tax deferral program a person must be at least 65 years old or eligible under Title II or Title XVI of the Federal Social Security Act for benefits for the disabled. The person must be living in their home and owned their home for a least 5 consecutive years if qualifying as an elderly applicant, or at least one year, if disabled. The person must file annually by March 1st following the December due date to receive a full or partial deferral after determination by the Assessor that, in their opinion, the tax liability causes the taxpayer undue hardship. Deferred taxes create a lien on the property and accrue 5% annual interest. Any party with a mortgage interest in the property must approve of the tax deferral. The liens remain in place until redeemed or the owner dies. The heirs have nine months to redeem the liens prior to the normal deeding procedure occurring.

Tax Collection Process

In Dover, property taxes are due in 2 installments. The first is due in December and the second is due the following June. The invoice received for the December due date is considered to be the tax bill. This reflects the tax rates for the year, the assessed values, the total amount of property taxes due for the year and the due dates for the 2 amounts. This bill is for the current tax amount only and does not include any amounts still outstanding from other tax years. For the June due date, the City sends out a reminder. This reminder reflects any abatements or payments that have been made against the second half due amount. By law, the property tax bill must show the assessed value of the property, along with the tax rate for each component of the tax: the city, county, local education and State Education Property Tax rates. The City sends quarterly statements to all taxpayers with outstanding balances reflecting all amounts due from any tax levy or lien.

The collection, lien and deeding processes and interest rates are all set by state statute. After each due date, any unpaid balance will begin accruing interest at the rate of 12% per annum. Should any balance for the tax year remain outstanding, approximately 30 days after the second due date, a notice of impending lien is forwarded to the property owner. This notice states the date a property lien will be placed against the property (at least 30 days notice). A notice cost is assessed to the property owner. Should the balance remain outstanding on the date stipulated on the notice of lien, a lien will be place against the property and registered at Strafford County Registry of Deeds. Notices are subsequently sent to all parties with a mortgage interest in the properties receiving liens. The lien includes additional costs that are added and all accrued interest to that point. This new lien principal amount will accrue interest at the rate of 18% per annum.

Taxpayers may redeem the tax lien at any time within a 2-year time frame. They must pay the lien principal, plus all accrued interest and redemption fees. For any unpaid liens, the City sends an impending deeding notice to property owners 30 days prior to the 2-year mark. If the lien remains unpaid after this period, the City takes title to the property. The City may retain the property for its own use or sell the property at auction per NH statute.

Assessing Terminology:

There are several terms used regularly by assessors that are critical to the assessment process, but not generally known by the public at-large. Following are important terms to understand:

Ratio: Otherwise referred to as assessment-to-sales ratio, this statistic measures the relationship between sales prices and current assessments. For example, if a property sold for $100,000, and the assessment was $90,000, the Ratio would be 90% for that property. The Department of Revenue Administration calculates the ratio for every arm's-length sale in every community over a year timeframe, arraying them from high ratio to low. The median point in the array of City sales is established as the ratio for the City for any given year.

Stratified Ratios: This is similar to the Ratio above, except that it looks to the ratio of each class of properties. This study looks for bias that may exist within the assessment base. These stratified ratios studies can be expanded even further. For example, studies will occur to see if older homes are assessed at the same level (ratio) as newer homes, ranches as compared to colonials, and location differences along with many other comparative studies.

C.O.D**:** (Coefficient of Dispersion) While the Ratio measures the level of assessments, the COD measures equity in taxes **(proportionality)** amongst properties of equal value. The COD measures the variation of sales price to assessed value amongst a set of properties with like sales prices. The average difference (from the median sales ratio) is divided by the median sales ratio to arrive at a percentage (the COD). This is the most important statistic an assessor works with. According to the International Association of Assessing Officers (IAAO) the measure of equity falls into the following ranges:

Percent	Equity Measure
10% or less	Excellent assessment equity
11% - 14%	Good assessment equity
15% - 20%	Fair assessment equity
over 20%	Poor assessment equity

PRD**:** (Price-Related Differential) This statistic measures the relationship between higher valued properties and lower valued properties, and their respective assessments. This statistic answers the question: "Is there a bias for or against lower or higher valued properties?" For example, a PRD over 1.00 indicates a regressive assessment base, or, that higher value properties are assessed at a lower ratio, conversely, a PRD under 1.00 indicates a progressive tendency, or, shows that lower value properties are assessed at a lower ratio than higher value properties. Ideally, this statistic should be 1.00, but IAAO recommends that the PRD fall between .98 and 1.03.

Arm's-length transaction: This is a term used to describe a transfer of property between a buyer and a seller that qualifies for use in a sales ratio study. In order to be considered arm's length the property must be exposed on the open market for a typical length of time. Neither the buyer nor seller is under duress to buy or sell. Both the buyer and seller are aware of the potential uses of the property and the transaction is made in cash or cash equivalency (financing). The interests transferred are free and clear of encumbrances; i.e., fee simple, absolute ownership.